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## Latin America Review

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25 April 1986

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Latin America  
Review

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Articles have been coordinated as appropriate with other offices within CIA.  
Comments and queries regarding this publication may be directed to the Chief,  
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**Latin America  
Review**

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**Articles****Peru-USSR: Warming Relations  
Under Garcia**

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Peru's President, Alan Garcia, has strengthened ties to the Soviet Union and its allies since taking office last July. He has sought expanded Soviet military and economic assistance and has improved relations with Cuba, Nicaragua, and North Korea. Despite Garcia's declared intention to pursue a foreign policy path "between the two imperialisms," Moscow views with favor his defiant stance on foreign debt repayment, anti-US rhetoric, and outspoken support for the Sandinistas in the Central American conflict. Garcia evidently views the Soviet Bloc as a counterweight to economic and political pressure from Western governments and the IMF, and Moscow has given him assurance of substantial, though as yet unspecified, support. Although Garcia and General Secretary Gorbachev are still taking the measure of one another, we expect the two governments to build on the legacy of close bilateral ties begun by Peru's leftist military government under General Velasco in the early 1970s.

Peru may receive as many as 100 additional Soviet advisers—nearly double the present number—as part of the new arrangements.

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Moscow has also provided extensive training within the Soviet Union to Peru's armed forces. We estimate that about 2,000 Peruvian military and intelligence personnel have received training in the USSR since the early 1970s.

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**Military Ties**

The extensive Soviet military sales and technical assistance program in Peru is the most conspicuous aspect of the longstanding bilateral relationship. The Soviets have supplied roughly half of all Peru's foreign military acquisitions since 1973, with agreements totaling more than \$1.5 billion. The Army and the Air Force have received the entire amount; the Navy has staunchly refused to accept Soviet hardware and advisers. Despite efforts to reduce dependence on the the USSR—for example, by purchasing Mirage 2000 fighter-bombers from France—the Peruvian military, faced with severe budget restrictions, continues to be attracted to Soviet weaponry because of highly favorable financing terms, the relatively low price tags on Soviet arms, and a lack of alternative sources for spare parts.

**Economic Ties**

Following Garcia's inauguration, the Soviets reiterated their desire to enhance existing military and economic ties.

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The level of Peruvian-Soviet bilateral trade, however, remains low relative to Lima's trade with the United States, other Latin American countries, and Western

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Europe. In 1984, Peruvian exports to the Soviet Union amounted to \$39.3 million, compared with \$751 million to the United States and \$313 million to Latin America. In all, trade with the Soviet Bloc in 1984 represented only 2.3 percent of Peru's exports and 0.4 percent of its imports. Although the absolute level is small, Peruvian-Soviet trade did increase sharply in relative terms in 1984 in large part because of a trade agreement, formalized in 1983 under the Belaunde administration, permitting the repayment of \$125 million of Lima's \$2 billion debt to Moscow in goods over a five-year period. [REDACTED]

Under a rescheduling agreement signed in December, Moscow postponed approximately \$38 million in Lima's 1986 debt installments while accepting repayment of the remaining \$25 million in goods. The US Embassy says that Peru had still not ratified this agreement as of late January, however, and that Lima owes about \$38 million on its 1985 debt to Moscow. [REDACTED]

Garcia evidently hopes to use Peru's countertrade deal with the Soviets as a model for similar arrangements with other Bloc creditors. In addition, Peru has proposed paying off part of its debt to the Soviets through multilateral trade arrangements involving delivery of Peruvian goods to Nicaragua and others, and Moscow reportedly has agreed. [REDACTED]

In contrast to relatively high levels of Soviet military assistance since 1973, Moscow has provided paltry economic aid. Nonetheless, the Soviets have made some tentative moves in response to Garcia's request for expanded development funds. They renewed their offer to support the Olmos hydroelectric project—approved for foreign bidding under the 1986 budget law—and Garcia reportedly expects additional Soviet subventions. Any such aid would be tied to specific development projects and would probably not exceed \$200 million. Moscow may also offer to set up joint enterprises with private Peruvian firms that would produce items for export to fill specific Soviet Bloc needs. [REDACTED]

Fishing has long been an important area of economic cooperation, but early last year it became a source of friction when the Belaunde government accused the

USSR of violating restrictions on fishing in Peruvian waters. In June, a judge impounded 10 Soviet fishing boats for the alleged failure of El Pacifico, a private intermediary, to pay required fees. Although the vessels were released in late July, the fishing accords, presently up for renewal, remain a controversial bilateral issue. [REDACTED]

Garcia, like his predecessor, is dissatisfied with existing arrangements, which are governed by a 1971 protocol and several related contracts. [REDACTED]

The Garcia government's nationalistic policies have made the question of tax liabilities for nonresident foreign enterprises a major bone of contention. Even so, Lima's need for revenue, the lack of its own deep sea fishing fleet, and a desire not to jeopardize relations with the Soviets in other areas will probably compel Garcia to renew the accords—albeit with some face-saving modifications. [REDACTED]

#### **Cultural Ties**

The Soviets have also sought influence through media and cultural instruments. They have promoted the use of TASS and Novosti wire services by Peruvian newspapers, and have used middlemen to purchase shares in some of them. [REDACTED]

The USSR's media strategy is evidently calculated to avoid offending Garcia. Last August, Soviet press agencies in Lima limited their contacts with a local Communist Party newspaper because of its anti-Garcia line. [REDACTED]

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The Soviet-Peruvian Cultural Association, with centers in Lima and 17 of the country's 24 departments, sponsors cultural events, Russian-language classes, and lectures on the USSR. It also recruits Peruvian youths for Moscow's extensive scholarship program, which offered 180 grants in 1985 in engineering, medicine, industrial relations, international economics, electronics, communications, culture, and art. This represented a significant increase from the 137 scholarships awarded in 1984, and the 86 granted in 1983. An estimated 450 to 500 Peruvian students are currently studying in the USSR, according to the US Embassy. Other East European states also offer scholarships, and, although precise figures are not available, we estimate that these collateral programs may involve another several hundred students. [ ]

#### **Moscow and the Far Left**

The underside of Moscow's formal relations with the Garcia government will be a continuation of longstanding ties to the far-left opposition—the United Left (IU) coalition—as well as the ruling APRA party's left wing. The mainline Peruvian Communist Party (PCP-U) receives a major portion of its operating budget from Moscow, which exercises substantial authority over party policy. Communist Party membership is only 1,500, and Moscow realizes that its near-term prospects are poor, at best. Furthermore, Moscow's influence over the IU coalition, to which the PCP-U belongs, is relatively limited. [ ]

The Soviets probably hope to influence Garcia's policies by using their leverage within his own party. They have maintained close contacts with the APRA far left and its leader, Armando Villanueva [ ]

[ ] Last December Villanueva spent two weeks in Moscow, stopping over in Havana on his way. [ ]

Although Garcia and Villanueva are archrivals, they

have avoided any public feuding, and the President's populist policies have tended to mollify the party's far left. [ ]

The Soviets also have close ties to key labor groups. Only one-third of Peru's workers are unionized, but Moscow has access, most notably to the Communist-dominated General Confederation of Peruvian Workers (CGTP), Peru's largest labor organization. [ ]

#### **Moscow and Peru's Insurgency**

We have no evidence that Moscow has any ties to Peru's two major insurgent groups, the Sendero Luminoso (SL) or the Tupac Amaru Revolutionary Movement (MRTA). Nor do we have reliable evidence that Cuba or the Sandinistas have ties to Peruvian subversive groups. Lima has charged that some MRTA leaders were trained in Cuba in the 1960s, and we do not rule out the possibility that Havana and Managua maintain contact with them. Moreover, the MRTA recently announced that some of its guerrillas have joined M-19's America Battalion in southern Colombia. M-19 reportedly has received military training and other assistance from Cuba and Nicaragua, and it is likely that MRTA would also accept such aid if offered. [ ]

Sendero Luminoso is Maoist and anti-Moscow in its orientation. The organization, ideology, and strategy of SL and MRTA contrast sharply, and, although they have at times staged simultaneous attacks in Lima, there is no firm evidence of formal links or deliberate coordination between them. Nor is there evidence of links between Peru's extreme left parties and insurgent groups. Although the MRTA is pro-Moscow, the Soviets believe that backing the legal far left provides the best chance for bringing a Marxist government to power. [ ]

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~~Secret~~**Other Soviet Bloc Countries**

All the East European Bloc countries and Cuba have embassies in Lima. Peru and Cuba have now normalized diplomatic relations, which had been restricted to the charge d'affaires level since 1980. This move offers Havana—whose diplomatic mission in Lima is already over 60-strong—new opportunities to expand its activities. Havana can also build on extensive, existing ties to prominent leaders of the United Left coalition. [redacted]

The highly publicized personal polemics between Garcia and Castro during the first months of the Peruvian President's term have faded. In addition, Prime Minister Alva Castro visited Havana in late 1985, and Cuba has loaned Peru two fishing vessels, a gesture hailed by Alva Castro as "the finest example of our harmonious relations." [redacted]

Nicaragua has a five-person embassy in Lima headed by an ambassador. While less prominent than the Cubans, Nicaraguan diplomats have contacts in Peruvian media circles and with key United Left leaders. Garcia has exhibited strong sympathy for the Ortega regime, and, speaking before the Argentine Congress in mid-March, he declared that Peru would break diplomatic relations with any country that invaded Nicaragua. [redacted]

**Prospects for Peruvian-Soviet Bloc Relations**

The Soviets view Garcia's external orientation—particularly his coolness toward the United States and his defiance of the IMF—with favor, despite his avowed intent to pursue an independent, nationalistic foreign policy. [redacted]

As relations with the USSR improve, Peru will probably strengthen its ties to other Soviet Bloc countries as well. Besides exchanging ambassadors with Cuba, Garcia may seek closer economic relations with Nicaragua. He reportedly received campaign funds from P'yongyang and, in return, will eventually extend full diplomatic recognition to North Korea. Although he identifies primarily with the Third World, Garcia will remain open to all Soviet Bloc offers of friendship and assistance as a counterweight to pressures from international financial institutions and Western governments. [redacted]

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## Ecuador: Leftist Opposition Gaining Strength

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As Conservative President Leon Febres-Cordero looks toward the last two years of his administration, he faces mounting political opposition from the left. In particular, the Popular Democratic Movement, which forms the political wing of the Marxist Leninist Communist Party of Ecuador and is the country's most radical party, has emerged as the best organized of the opposition parties and is likely to capture at least five seats in the 1 June Congressional election. The party's anticipated success at the polls raises the potential for conflict between the President and the legislature and could contribute to a more widespread polarization of the political environment.

President Febres-Cordero 

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### Febres-Cordero's Vulnerabilities

Until now, Febres-Cordero has tried to outmaneuver the fragmented opposition by forming ad hoc alliances and using his strong personality to override his enemies. After initial wrangling with Congress, he managed to form a congressional coalition—bringing together the six small rightist and center-right parties that had backed his presidential bid with the larger populist party, the Concentration of Popular Forces. This alliance gave the government a two-seat working majority in a 71-seat Congress and enabled Febres-Cordero to implement a large part of his legislative agenda.

Both the US Embassy and foreign observers, however, believe that the opposition, particularly the left, has plenty of ammunition to use against Febres-Cordero in the coming election. Economic problems resulting from sharply falling oil prices provide the left with a readymade issue. Leftists are blaming the downturn on government mismanagement and attacking Febres-Cordero's willingness to commit Ecuador to debt refinancing and free market policies. They charge that such policies result from Febres-Cordero's association with the United States. The President is also vulnerable to criticism of his failure to implement the housing and employment program he promised in the 1984 campaign, but which mounting budgetary difficulties effectively preempted. Moreover, the

mutiny in March of Air Force General Vargas—who charged the Defense Minister and the Army Commander with misappropriation of military funds—has tainted the administration and given its leftist opponents another key issue to exploit.

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### Leftist Moves

Knowledgeable US Embassy contacts indicate that the Popular Democratic Movement is in the strongest position to take advantage of widespread discontent. The party has combined an effective campaign with a well organized and ideologically committed cadre. By exploiting these advantages and taking the most extreme positions on every major issue, the party has attracted growing support, especially from radical students and both urban and rural poor. The press is predicting that the movement will win congressional seats in several provinces and should be in position to exert influence in future legislative coalitions.

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Sporadic university demonstrations—some violent—during the past six months may have been led by the Popular Democratic Movement, which has been calling for frequent antigovernment protests.

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**Political Parties****Right to Center: National Reconstruction Front (FRN)**

- *Social Christian Party (PSC) . . . led by Febres-Cordero —Conservative Party (PC)*
- *Revolutionary Nationalist Party (PRN)*
- *Democratic Institutional Coalition (CID)*
- *Velasquista National Party (PNV)*
- *Radical Liberal Party (PL)*

**Centrist Parties**

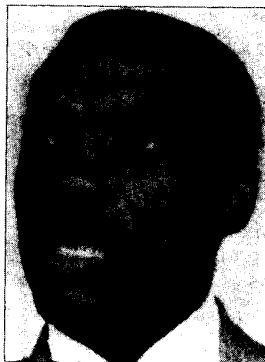
- *Concentration of Popular Forces (CFP) . . . major centrist-populist party . . . has joined with the National Reconstruction Front to provide the government with a two-seat majority in Congress since June 1985*
- *Alfarist Radical Front (FRA)*

**Center-Left Opposition Parties**

- *Revolutionary Popular Action Party (APRE)*
- *Ecuadorean Democratic Action (ADE)*
- *Democratic Party (PD)*
- *Ecuadorean Roldocist Party (PRE)*
- *People, Change, and Democracy (PCD)*
- *Popular Democracy (DP) party of former President Osvaldo Hurtado*
- *Democratic Left (ID) party of defeated presidential candidate Rodrigo Borja . . . largest center-left party . . . many consider it a social democratic party*

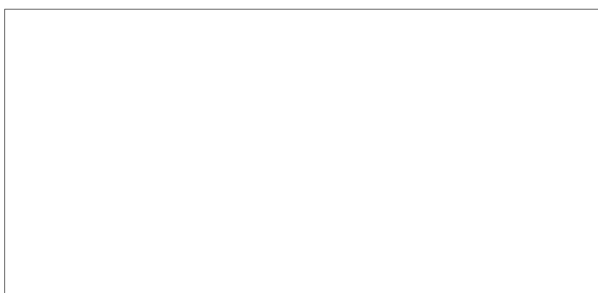
**Far-Left Parties**

- *Broad Leftist Front (FADI) . . . takes a pro-Soviet line . . . strong labor support, but unable thus far to translate this into votes*
- *Socialist Front (PSE/PSRE)*
- *Popular Democratic Movement (MPD) . . . electoral wing of Communist splinter group . . . has strong university backing . . . best organized political party in Ecuador*



Jaime Hurtado Gonzalez

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The head of the Popular Democratic Movement, Jaime Hurtado Gonzalez, is a popular figure who built his reputation in Congress as a confrontational and flamboyant speaker. He was selected as the party's presidential candidate in 1984 and, by running a hard campaign, attracted wide press coverage and came in fourth with 172,000 votes. Because of a legal restriction, Hurtado cannot seek a congressional seat until 1988, but he is running for municipal office in Guayas Province.

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**Preemptive Moves by Febres-Cordero**

Sensing the left's growing appeal, Febres-Cordero has called for constitutional reforms to permit independents to run without party sponsorship. Some political figures have speculated that the President's real intent is to control so-called independent candidates through patronage and direct financial backing. He has also introduced Constitutional amendments to strengthen his authority and to

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remove legal constraints on security forces engaged in counterinsurgency. Rejection of the proposals in a special legislative session has led the President to schedule a nationwide plebiscite, also on 1 June.

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Strong gains by the radical left could eventually force the President to rule by decree—a currently limited emergency power that he hopes the plebiscite will allow him to expand. At a minimum, the ascendancy of the Popular Democratic Movement, which has already called for violent opposition to the President, heightens the possibility of more frequent confrontations in Ecuadorean politics.

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**Latin America  
Briefs**

<b>Haiti-Dominican Republic</b>	<b>Deteriorating Relations</b> [redacted]	25X1
	Growing anti-Dominican sentiments in Haiti, and Dominican pressure on Haitian President Namphy, to reimburse Santo Domingo quickly for a large deposit paid to the ousted Duvalier regime for migrant labor have led to a downturn in relations between the two countries since February. [redacted]	25X1
	[redacted]	25X1
	[redacted] Foremost among Dominican concerns are the safety of their nationals in Haiti and quick recovery of the \$2 million paid to Duvalier in an unfulfilled accord for imported sugar workers [redacted]	25X1
	[redacted]	25X1
	Longstanding mutual mistrust has traditionally kept relations fluctuating. Although Santo Domingo tends to distance itself from Haitian events unless they directly affect Dominican affairs, and the Haitian Government has been too preoccupied with internal problems to devote much effort to improving external relations, both governments want stable ties. Relations probably will not deteriorate much further unless Dominican nationals in Haiti are harmed. The popular perception in Haiti of Dominican pressure on an impoverished country to repay a large debt inherited from Duvalier, however, could lead to increased anti-Dominican sentiment and violence. [redacted]	25X1
<b>Bolivia-Peru</b>	<b>Flood Damage</b> [redacted]	25X1
	Flooding of Lake Titicaca and surrounding rivers during the past six months has left 470,000 peasants homeless in Bolivia and Peru, according to the US Embassy. Floodwater damaged nearly 50,000 dwellings as well as roads and railroads. Although it affected over 150,000 hectares of farmland, it will not have a significant effect on the coca crop or agricultural production in either country because anticipated losses will be small in comparison with total yield. [redacted]	25X1
	La Paz and Lima have declared states of emergency in several departments to address the effects of the disaster, but both governments lack adequate financial resources to relocate flood victims. Political stability could be affected if food shortages in the affected regions—because of transportation blockages or high prices—incite peasant riots. Bolivia has publicly asked for more US aid, and Peruvian President Garcia has appealed for international assistance. In the meantime, civil defense officials are airlifting emergency food supplies and medicine to relief centers, and Catholic services are also providing food and humanitarian assistance. [redacted]	25X1

**Mexico****World Cup Security** [REDACTED]

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Mexico City's security preparations to prevent terrorist incidents at the coming World Cup soccer games will not greatly enhance the government's antiterrorist capabilities, in our judgment. Although a major international terrorist incident is unlikely, in our view, Mexican authorities probably fear a repetition of the violence that occurred shortly before the 1968 Olympic Games held in Mexico City. [REDACTED]

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Despite a flurry of activity, including equipment purchases, training programs, and a request for unspecified US assistance, planning for security at the games—to be played in May and June—is still in the rudimentary stages. In addition, much of the equipment is inappropriate, and Mexican trainees have described a French training program as pointless and ineffective, according to the US Embassy. Bureaucratic turf battles also are hampering the security program. The Ministry of the Interior has been authorized umbrella responsibility for security at the games, causing resentment within the military establishment. [REDACTED]

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**Private Businesses Financially Squeezed** [REDACTED]

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Declining oil revenues are causing Mexican state corporations to suspend payments to private domestic suppliers, aggravating businessmen's already severe financial problems. Heavy government borrowing to cover public-sector operating expenses has caused a domestic credit shortage, with virtually no bank lending to the private sector, according to the US Embassy. Moreover, the economic downturn during the past several quarters has caused domestic demand to slacken significantly, leaving businessmen with large inventories and reduced profits. National business groups, concerned about the impact of the payment suspension on already weakened commercial enterprises, are threatening a moratorium on taxes and loan payments to government banks unless public enterprise payments are resumed. [REDACTED]

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**Protests Over High Utility Prices** [REDACTED]

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Protests against hikes last December in government-controlled prices for gas and electricity in Monterrey have been going on for a month and have caused the government to announce a rollback in gas costs by up to 40 percent, according to the US Embassy. More demonstrations are likely and may intensify, according to the Embassy. The prospect of further protests in Mexico's second-largest city over reduced government subsidies for utilities and other basic consumer goods is likely to make the de la Madrid administration more reluctant to make spending cuts in these areas. [REDACTED]

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